

Message Text

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ACTION EUR-12

INFO OCT-01 AF-10 ARA-10 NEA-10 IO-10 ISO-00 ACDA-10

CIAE-00 INR-07 L-02 NSAE-00 NSC-05 RSC-01 OES-05

FEAE-00 AEC-07 AID-05 CEA-01 CIEP-02 COME-00 DODE-00

EB-07 FPC-01 H-02 INT-05 OMB-01 PM-03 SAM-01 SP-02

SS-15 STR-04 TRSE-00 FRB-01 PA-02 PRS-01 USIA-15

XMB-04 OPIC-06 LAB-03 SIL-01 IGA-01 HEW-06 PC-05 /184 W
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FM AMEMBASSY BONN

TO SECSTATE WASHDC 6557

INFO AMEMBASSY KHARTOUM

AMEMBASSY JIDDA

AMEMBASSY SANTIAGO

AMEMBASSY NEW DELHI

USMISSION OECD PARIS

USMISSION USUN NEW YORK

USMISSION EC BRUSSELS

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E.O.11652: N/A

TAGS: EAID, GW

SUBJECT: FRG DEVELOPMENT ASSISTANCE POLICY

1. SUMMARY: IN AN INTERVIEW PUBLISHED BY BONN GENERAL ANZEIGER ON NOVEMBER 27, FRG MINISTER FOR ECONOMIC COOPERATION EGON BAHR DISCUSSED DEVELOPMENT AID GOALS AND STRATEGIES IN THE LIGHT OF THE CLUB OF ROME FORECASTS AND THE CHANGED CIRCUMSTANCES RESULTING FROM THE IMPACT OF THE HIGHER OIL PRICES. THE CHIEF POINTS HE MADE CENTERED ON NEED FOR IMPROVED INTERNATIONAL AID MECHANISMS (WITHOUT INDICATING HOW THIS SHOULD BE DONE),

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THE FRG INTEREST IN COOPERATING WITH OPEC COUNTRIES IN

UNDERTAKING JOINT AID PROJECTS, AND THE OUTLOOK FOR OFFICIAL AND NON-OFFICIAL DEVELOPMENT AID. BAHR ALSO SAID THAT HE HAD REASON TO BELIEVE INDIAN ASSURANCES THAT NUCLEAR TESTING WOULD ONLY BE USED FOR PEACEFUL PURPOSES, AND REAFFIRMED THAT FRG AID WOULD STILL FLOW TO INDIA. AS REGARDS CHILE, ON THE OTHER HAND, BAHR SAID HE WOULD BE GLAD IF THE FRG WOULD AGREE TO STOP DEVELOPMENT AID AS LONG AS THERE EXISTS A MILITARY JUNTA. HIGHLIGHTS FROM BAHR'S INTERVIEW FOLLOW.
END SUMMARY.

2. NEED FOR IMPROVED MECHANISMS. "WE MUST CLEARLY DISTINGUISH BETWEEN THIS NEW PERSPECTIVE GIVEN TO US BY (THE CLUB OF ROME)... AND WHAT WE DO IN DEVELOPMENT POLICY TODAY. THE ALTERNATIVE SHOULD NOT LEAD TO THE EXCUSE OF NOT DOING WHAT IS POSSIBLE AND NECESSARY TODAY. ENVIRONMENTAL QUESTIONS, ENERGY CONCERNS, CURRENCY ISSUES, THE WORLD FOOD PROBLEM, ALL THESE ARE NOT SOLUBLE ON A NATIONAL BASIS. WE ARE LACKING A

GLOBAL SET OF INSTRUMENTS FOR COMING TO SOLUTIONS. WHETHER IT WILL BE POSSIBLE TO DEVELOP SUCH INSTRUMENTS THAT I CANNOT ANSWER.... I DOUBT THAT THE UNITED NATIONS WHICH LIVE FROM THE VETO AND WHICH WOULD NOT EXIST WITHOUT THE VETO, CAN BUILD THIS SET OF INSTRUMENTS. ON THE OTHER HAND, SOMETHING LIKE THAT CANNOT BE REACHED THROUGH CONFRONTATION BUT - - GIVEN THE GROWING DEPENDENCE OF INDIVIDUAL COUNTRIES ON EACH OTHER, OF THE DEVELOPED ON THE UNDER-DEVELOPED, OF RAW MATERIAL COUNTRIES ON INDUSTRIAL COUNTRIES - - ONLY THROUGH COMMON ACTION." IN ANSWER TO A QUERY OF WHETHER IT WOULD NOT BE MORE MEANINGFUL TO COMBINE DEVELOPMENT POLICY IN THE EC AREA, BAHR RESPONDED: "THEORETICALLY THIS IS CORRECT. I, TOO, WOULD WELCOME A EUROPEAN DEVELOPMENT POLICY. SUCH A POLICY WOULD, HOWEVER, NEED TO BE SOMEWHAT MORE SIMILAR TO OUR CONCEPT THAN THE POLICY PURSUED E.G. BY FRANCE AND GREAT BRITAIN - - WHICH IS UNDERSTANDABLE FOR HISTORIC REASONS AND THEIR RELATIONS TO THEIR FORMER COLONIES. IN THE MEANTIME WE WILL HAVE TO STICK TO THE PRESENT
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THREE-TRACK POLICY - - GLOBAL PROJECTS IN THE FRAMEWORK OF THE UN AND THE IBRD, MULTILATERAL PROJECTS OF THE EUROPEAN STATES, AND BILATERAL ONES BETWEEN THE INDIVIDUAL STATES."

3. COOPERATION WITH OPEC COUNTRIES. "WE ARE TRYING TO REALIZE TRIANGULAR OPERATIONS IN WHICH THE FINANCIAL

CAPABILITIES OF OIL PRODUCING COUNTRIES ARE TO BE
COMBINED WITH OUR TECHNICAL KNOW-HOW IN FAVOR OF THE
MOST SERIOUSLY AFFECTED COUNTRIES..... FUNDS OF THE
OIL PRODUCING COUNTRIES WOULD.... BE MOBILIZED FOR
THE LEAST DEVELOPED COUNTRIES. THE DONORS WOULD
YIELD ADDITIONAL KNOW-HOW AND THIS WOULD ALSO BE TO
THE BENEFIT OF THEIR LONG-RANGE INTEREST. IN THE
INDUSTRIAL COUNTRIES, MANY JOBS WOULD BE SECURED, AND
PART OF THE OIL MONEY WOULD REFLOW IN A NATURAL WAY
INTO THESE COUNTRIES AND INTO GENERAL ECONOMIC
CIRCULATION.... IT WILL SOON BE SEEN THAT THE DECISIVE
FACTOR IS NOT MONEY BUT THE TRANSFER OF TECHNOLOGY.
SOME OIL COUNTRIES WILL ACCUMULATE BETWEEN \$60 AND

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\$70 BILLION THIS YEAR. IT WILL BE IMPOSSIBLE TO BUY GOODS FOR THAT MONEY, BECAUSE THERE ARE NOT THAT MANY. THIS MEANS THAT THOSE COUNTRIES MUST DECIDE IN FAVOR OF CERTAIN INVESTMENTS; AND IT IS SOMETHING DIFFERENT IF ANOTHER GOVERNMENT TAKES OVER THE GUARANTEE FOR THE IMPLEMENTATION OF LARGER PROJECTS. FURTHERMORE, THERE ARE PROJECTS IN WHICH PRIVATE FIRMS HAVE NO INTEREST, PROJECTS WHICH DO NOT YIELD ANY PROFIT, LIKE IN THE SECTOR OF EDUCATION OR HEALTH CARE.... I AM VERY GLAD THAT THE SUDANESE GOVERNMENT HAS DECIDED TO TRY THIS

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MODEL TOGETHER WITH US. THE ENDEAVORS TO GET A THIRD PARTNER HAVE UNFORTUNATELY BEEN DELAYED SINCE THE SAUDI-ARABIAN FOREIGN MINISTER SUDDENLY DIED BEFORE A TALK WITH HIS SUDANESE COLLEAGUE COULD TAKE PLACE. MY COLLEAGUE FRIDERICH, HOWEVER, HAD CONVERSATIONS IN SAUDI ARABIA ABOUT THIS PROJECT AND FOUND A RECEPTIVE ATTITUDE. WE HAVE IDENTIFIED ALREADY SOME PROJECTS WHICH HAVE TO BE DISCUSSED YET WITH THE THIRD PARTNER."

4. OUTLOOK FOR FRG AID FLOWS. WHILE NOTING THAT HIS MINISTRY MUST MAKE ITS CONTRIBUTION TO THE EFFORTS TO LIMIT THE OVERALL FRG BUDGET, BAHR INDICATED THAT THE AID BUDGET IS GROWING FASTER THAN THE OVERALL BUDGET. NEVERTHELESS, HE ADMITTED THAT THE FRG WILL "NEED ONE ADDITIONAL YEAR TO ATTAIN THE DOUBLING (WHICH FRG PREVIOUSLY ENVISAGED). NOBODY COULD FORESEE THE OIL PRICE EXPLOSION WITH ITS CONSEQUENCES. BUT IT IS ALSO IN THE INTEREST OF THE DEVELOPING COUNTRIES THAT THE GERMAN NATIONAL ECONOMY REMAINS STABLE AND EFFICIENT." BAHR ALSO SAID: "IT IS THE GOAL OF THE UNITED NATIONS THAT THE INDUSTRIAL COUNTRIES WILL PROVIDE ONE PERCENT OF THEIR GNP FOR DEVELOPMENT AID BY 1980. COMBINING OFFICIAL AND PRIVATE AID, THE FEDERAL REPUBLIC HAS NOW ATTAINED ABOUT 0.52 PERCENT. BUT, LET US NOT FORGET, THAT THE FRG WILL SPEND ABOUT 17 BILLION ADDITIONAL MARKS FOR ITS OIL DURING THE PRESENT YEAR. THIS IS A TRANSFER OF 1.7 PERCENT OF OUR GNP INTO SOME OIL COUNTRIES." AS REGARDS FRG EFFORTS TO PROMOTE NON-

OFFICIAL AID EFFORTS, BAHR POINTED OUT THAT TAX INCENTIVES TO PROMOTE INVESTMENTS IN LDCS ARE BEING

IMPROVED AND THAT THE CAPITAL OF THE GERMAN DEVELOP-
MENT COMPANY IS BEING RAISED BY DM 200 MILLION TO A
TOTAL OF DM 500 MILLION IN AN EFFORT TO INTEREST
MEDIUM-SIZED FIRMS IN THE MOST BACKWARD LDCS.
CASH

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